Investment Board Report

To	Investment Board
Subject	2025 Annual Investment Report
Date	April 9, 2026
Ward	All
From	T. Rayaisse, Chief Investment Officer
Executive Member Approval	J. Schmidt, General Manager of Community and Corporate Services
CAO Approval	M. Prowse, Chief Administrative Officer

Recommendation(s):

That the Investment Board Report dated April 9, 2026 concerning the 2025 Annual Investment Report, be approved.

Executive Summary:

The purpose of this Report is to present the performance of the investment portfolio for the year ending December 31, 2025 in accordance with Ontario Regulation 43/18, as amended, of the Municipal Act, 2001.

Key Findings:

The City of Barrie's investment portfolio delivered strong risk-adjusted results for fiscal year 2025. The portfolio generated a total return of $31.1 million, comprising $22.4 million in realized income and $8.7 million in mark-to-market appreciation, while outperforming its composite benchmark and maintaining compliance with the Investment Plan.

All three funds achieved their investment objectives: the Capital Fund benefited from improving credit conditions (credit spreads tightening) and Bank of Canada (BoC) rate cuts; the Operating Fund's locked-in term deposit rates provided stable above-benchmark income; and the Growth Fund tracked a powerful equity recovery.

Total portfolio return was 7.68% against a composite benchmark of 7.24% (+44 basis points active return; a basis point is one-hundredth of one per cent). Over the current four-year rolling compliance period (2022–2025), the portfolio compounded at +34.7% versus the benchmark's +19.9%, a cumulative active return of +1,480 basis points. The portfolio closed the year with $353.2 million in assets under management (AUM), with all allocations within

the Investment Plan policy limits.

Key Performance Indicator	FY 2025 Result	Policy / Benchmark
Total Portfolio Return	7.68%	Benchmark: 7.24% ✓
Active Return vs. Composite BM	+44 bps	Meet or exceed benchmark ✓
Total Realized Income (C$)	$22,401,376	—
Total Return incl. Unrealized (C$)	$31,051,214	—
Year-end AUM (C$)	$353.2M	—
4-Year Rolling Active Return	+1,480 bps	≥ Benchmark over 4-yr period ✓
Fixed Income Average Credit Rating	AA3/A1	Policy Minimum: A average ✓

✓= In compliance with Investment Plan. All asset class allocations within policy bands throughout FY 2025 (Money Market 17.8% / Fixed Income 64.1% / Equity 18.1%). Performance measured over the moving four-year period per s. 2.2.

The City's 2025 investment results demonstrate that the portfolio continued to perform in line with its mandate: delivering competitive returns while prudently preserving capital and maintaining strong liquidity.

Despite a volatile year characterized by central bank rate cuts, geopolitical uncertainty, and narrow market leadership, the portfolio delivered solid results. This performance reflects the discipline embedded in the Investment Policy Statement and Investment Plan, as evidenced by the portfolio's high fixed-income credit quality, well-diversified equity exposure, and prudent liquidity management.

Alternatives:

There are no alternatives available related to the recommendation or in relation to this Report.

Strategic Plan Alignment:

Affordable Place to Live		
Community Safety		
Thriving Community		
Infrastructure Investments		
Responsible Governance	X	Reporting the performance of the investment portfolio in 2025 in accordance with Ontario Regulation 43/18

Additional Background Information and Analysis:

APPENDIX A

Section 1 — Governance & Mandate

Purpose and Authority

This report fulfils the Investment Board's obligation under Section 1.1 of the Investment Plan to submit an annual report to the Finance and Responsible Governance Committee on the performance of the City's investment portfolio. The Investment Board operates under the authority of City Council and manages the City's investments in accordance with the Prudent Investment Standard and the Investment Policy (O. Reg. 43/18 s. 10).

Portfolio Structure

The Investment Plan establishes three distinct sub-portfolios, each with a defined purpose and investment strategy. All three portfolios were active throughout 2025:

Fund	Purpose	Investment Strategy	FY 2025 Status
Capital Fund	Match cash requirements for capital projects within 5 years	Asset Liability Management: Cash Flow Matching and Portfolio Immunization	Active
Growth Fund	Meet longer-term liabilities; long-term capital appreciation and inflation protection	Diversified passive equity (sector ETFs/index funds)	Active
Operating Fund	Meet day-to-day liquidity requirements of the City	Money market securities and High Interest Savings Accounts (HISA)	Active

Investment Objectives

Per Section 2.1 of the Investment Plan, the City's investment objectives in priority order are:

- Capital Preservation — Investments are managed to protect and preserve the overall capital of the portfolio.
- Adequate Liquidity — Investments are structured to ensure sufficient liquidity to meet periodic cash flow needs, budgetary requirements, and unexpected contingencies.
- Competitive Total Return — Investments are managed to deliver competitive total returns through income and modest capital appreciation, while prudently preserving principal.

Performance Measurement Framework

Per Section 2.2 of the Investment Plan, each portfolio is expected to achieve a gross return at least equal to the defined composite benchmark measured over a moving four-year period. The composite benchmark reflects the policy target mix of 15% (Canada 3-Month T-Bill), 65% (Canada Aggregate 1–10 Year Bond Index), and 20% (50% S&P/TSX Composite TR / 50% S&P 500 CAD TR).

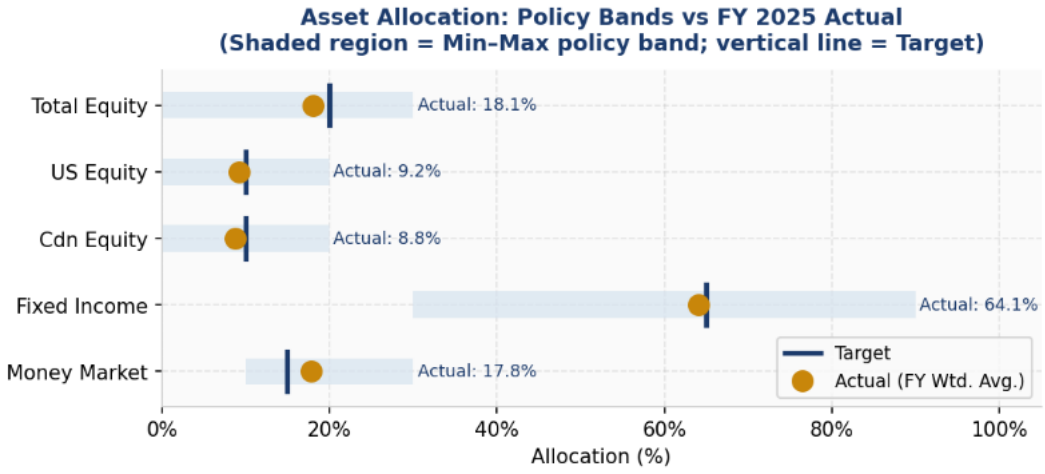
Section 2 — Strategic Asset Allocation & Policy Compliance

Asset Allocation & Policy Compliance

All three funds maintained their asset allocations within the policy bands set out in Section 4.1 of the Investment Plan throughout FY 2025. The chart and table below confirm compliance for each fund.

Policy Portfolio vs. Actual Allocation

Section 4.1 of the Investment Plan sets out the target asset mix (policy portfolio) with minimum, target, and maximum ranges. The weighted-average 2025 allocation and year-end allocation are compared against these policy constraints below.



Asset Class	Min %	Target %	Max %	FY Wtd. Avg.	Year-End
Canadian Equity	0%	10%	20%	8.8%	**10.1%**
Foreign Equity	0%	10%	20%	9.2%	**10.0%**
Total Equity	0%	20%	30%	18.1%	**20.0%**
Total Fixed Income	30%	65%	90%	64.1%	**69.9%**
Cash & Cash Equivalents	10%	15%	30%	17.8%	**10.1%**
Total Portfolio	—	100%	—	100%	**100%**

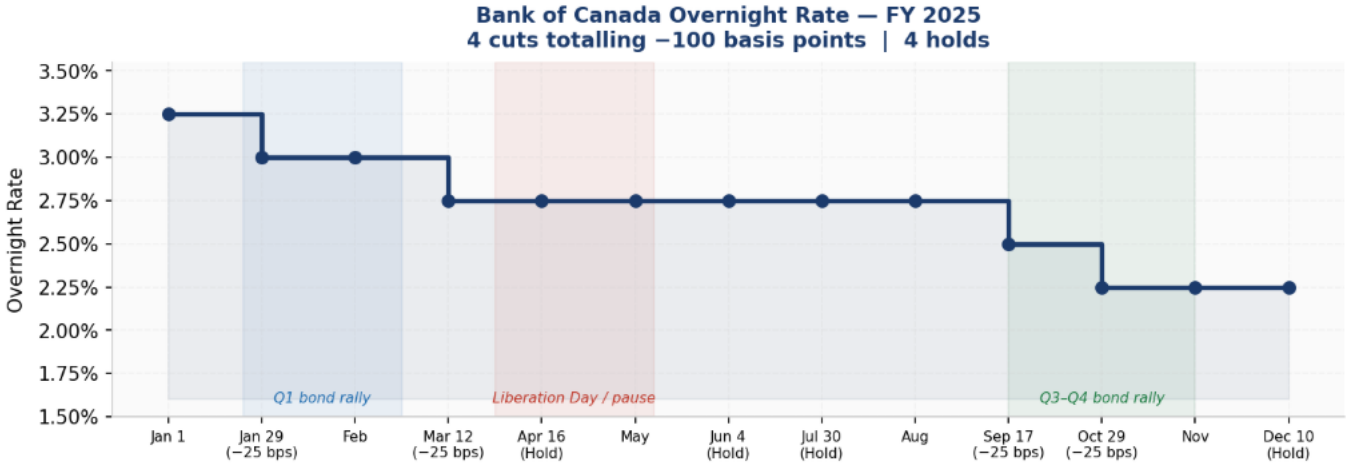
FY Wtd. Avg. = time-weighted average allocation for FY 2025. Year-end = allocation as at December 31, 2025. All allocations are within Investment Plan policy bands (Section 4.1).

Section 3 — Portfolio Performance & Attribution

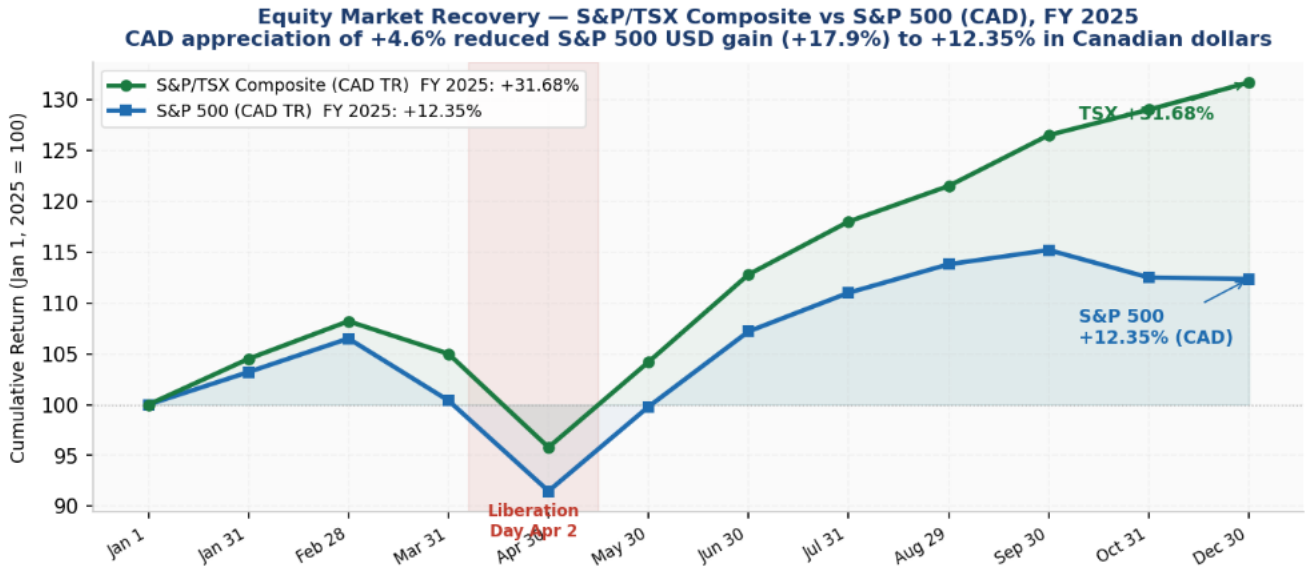
Market Context — Fiscal Year 2025

Fiscal 2025 was shaped by a clear sequence of events: an early boost from interest rate cuts, a brief but sharp market shock in April, and a steady recovery into year-end. The Bank of Canada set the tone with front-loaded interest rate cuts that drove a strong first-quarter

rally in fixed income. That momentum stalled mid-year as uncertainty around trade policy kept markets rangebound, before easing again in the final months as rate cuts resumed and confidence returned.



April marked a clear inflection point. The announcement of sweeping U.S. tariffs triggered a rapid risk-off move, with equities selling off sharply and credit spreads widening materially. Wider credit spreads are generally negative for fixed-income assets, as rising spreads push bond yields higher and bond prices lower. However, the episode proved short-lived. Markets stabilized quickly and regained their footing, reinforcing a central theme of the year: although volatility was sharp and abrupt, it proved short-lived in the face of easing monetary policy.



Full-Year 2025 Returns by Asset Class

Total portfolio return was 7.68% against a composite benchmark return of 7.24% (+44 basis points active return).

Asset Class / Fund	Portfolio Return	Benchmark Return	Active Return	FY Avg. Weight	Benchmark Index
Operating Fund (Money Market)	4.19%	2.82%	+137 bps	17.8%	Canada 3-month T-Bill TR
Capital Fund (Fixed Income)	4.83%	3.81%	+102 bps	64.1%	Canada Aggregate 1–10-year TR
Growth Fund (Equity)	21.27%	21.73%	-46 bps	18.1%	Composite Weighted.
Total Portfolio	**7.68%**	**7.24%**	**+44 bps**	**100%**	**Composite 15/65/20**

The Capital Fund and Operating Fund were the primary sources of active return. TR: Total Return. Avg: Average

Performance Attribution

The portfolio returned **7.68%**, outperforming its benchmark by **+44 basis points**. This outperformance was driven primarily by strong security selection, particularly in fixed income, which more than offset a modest drag from asset allocation decisions. The portfolio was slightly overweight in money market and underweight in equities, which detracted from returns given the strong equity performance over the period.

Asset Class	Port. Return	BM Return	Active Return	Port. Weight	BM Wt.	Allocation	Selection	Interaction	Total
Money Market	4.19%	2.82%	+137 bps	17.8%	15.0%	−13 bps	+21 bps	+4 bps	+12 bps
Fixed Income	4.83%	3.81%	+102 bps	64.1%	65.0%	+3 bps	+66 bps	−1 bps	+68 bps
Equity	21.27%	21.73%	−46 bps	18.0%	20.0%	−28 bps	−9 bps	+1 bps	−36 bps
Portfolio	**7.68%**	**7.24%**	**+44 bps**	**100%**	**100%**	**−41 bps**	**+81 bps**	**+4 bps**	**+44 bps**

All attribution values in basis points. Brinson-Fachler model: positive allocation = benefit from over/underweighting vs policy; positive selection = security outperformance within class. The portfolio picked the right securities (+81 bps), which more than offset the drag from being overweight money market and underweight equities (−41 bps). Net result: +44 bps active return.

Income Summary

The table below consolidates investment income across all three funds for the full year. Total return was $31.1 million, comprising $22.4 million in realized income and $8.7 million in mark-to-market appreciation.

Fund	Realized (C$)	Unrealized (C$)	Total Return (C$)	Description
Operating Fund	$4,895,323	—	$4,895,323	Demand and term deposits; no mark-to-market
Capital Fund	$11,878,461	$554,431	$12,432,892	Bond coupons, trading gains, mark-to-market
Growth Fund	$5,627,592	$8,095,407	$13,722,999	Equity dividends, trading gains, mark-to-market
Total Portfolio	**$22,401,376**	**$8,649,838**	**$31,051,214**	

Section 4 — Fund-Level Review

The events of 2025, marked by a rate-cutting cycle, a sharp market sell-off in April, and a strong equity rebound, tested the role of each fund. All three funds performed as expected.

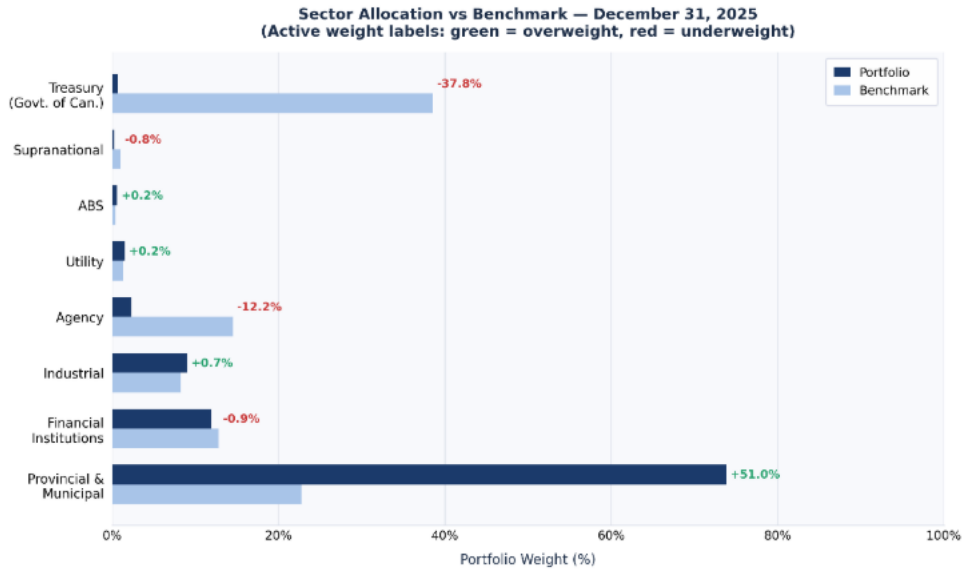
The Capital Fund benefited from credit spread compression, which drove bond prices higher. The Growth Fund closely tracked the strength of the equity recovery. Meanwhile, the Operating Fund provided stability, with its locked-in term deposit rates delivering steady, above-benchmark returns amid the April market volatility.

Capital Fund (Fixed Income) — +102 bps Active Return, $11.9 million Realized Income

The Capital Fund is the portfolio's largest component, representing 64.1% of weighted-average AUM ($253.3 million). It is structured to match the City's capital project drawdown schedule through maturing bonds and coupons, delivering contractual income when needed while earning a competitive yield above the benchmark.

Sector Allocation

The Fund benefited from a significant active overweight to spread products, driven primarily by an overweight of +51.0 percentage points to Provincial & Municipal bonds (73.8% in the portfolio versus 22.8% in the benchmark). These high-grade securities typically offer higher yields than federal government and agency bonds of similar maturity while preserving strong credit quality. This allocation provided a stable income foundation and added resilience against market volatility.



Portfolio Performance

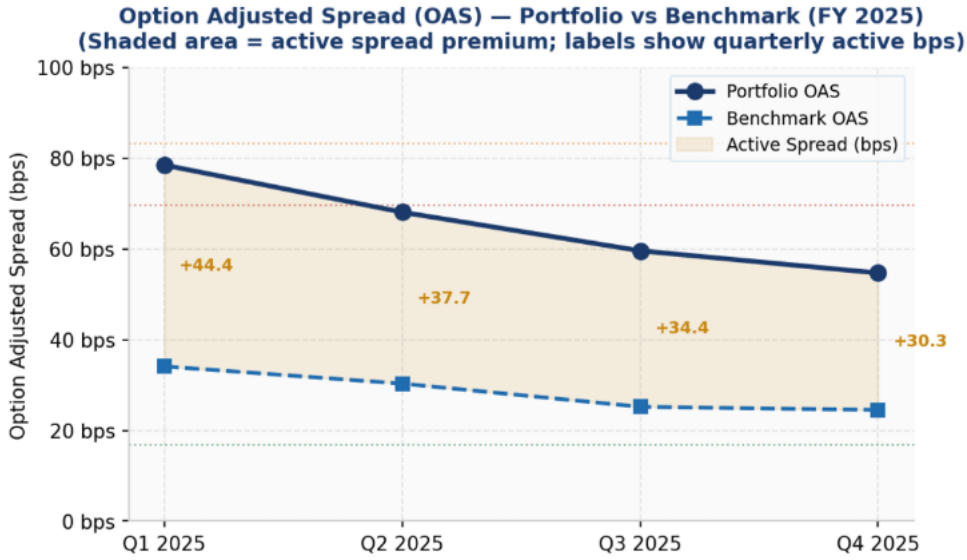
The Capital Fund returned 4.83% for fiscal 2025, outperforming the Canada Aggregate 1–10-year benchmark (3.81%) by 102 basis points. This strong relative performance generated $11.9 million in realized income and was the largest absolute contributor to the total portfolio's active return.

Outperformance was driven primarily by credit spread compression, amplified by the portfolio's higher active spread duration. Interest-rate positioning provided a secondary

positive contribution.

Credit Spread Compression — The Story of 2025

Credit markets strengthened materially in 2025, driving the Capital Fund's outperformance. The portfolio began the year with an average option-adjusted spread (OAS) of 78.5 bps, compared to the benchmark's 34.1 bps. By year-end, the portfolio's OAS had tightened to 54.7 bps (a 23.8 bps compression), versus 9.6 bps for the benchmark. The active spread narrowed from +44.4 bps to +30.3 bps.



OAS = Option Adjusted Spread in basis points. A higher OAS means the portfolio earns more yield per unit of credit risk than the benchmark. Compression (spreads falling) generates mark-to-market gains in addition to the underlying coupon income.

The portfolio's higher spread duration (6.40 years vs. 4.18 years for the benchmark at year-end) magnified these gains, contributing approximately +112 basis points of excess return from credit spread compression. In dollar terms, this generated $0.6 million in unrealized mark-to-market gains and $1.1 million in realized gains from selective sales of industrial and provincial holdings.

InterestRate Positioning

The portfolio maintained a longer option-adjusted duration (OAD) than the benchmark for most of the year, ending at 6.51 years versus 4.20 years. This positioning benefited from rate declines early in the year. Duration was actively reduced over time (declining 0.28 years versus 0.02 years for the benchmark), capturing gains while limiting exposure to volatility.

Growth Fund (Equity)

The Growth Fund serves as the portfolio's equity component, invested in a diversified mix of Canadian and U.S. exchange-traded funds (ETFs) that track broad equity market indices. Its objective is to deliver long-term capital growth and inflation protection. In 2025, the Fund averaged $71.4 million in assets under management, representing 18.1% of the total portfolio.

Performance

The Growth Fund returned 21.27%, underperforming its composite equity benchmark of 21.73% by 46 basis points. The modest underperformance was primarily due to an underweight position in Canadian equities, which benefited from strong gold and commodity prices.

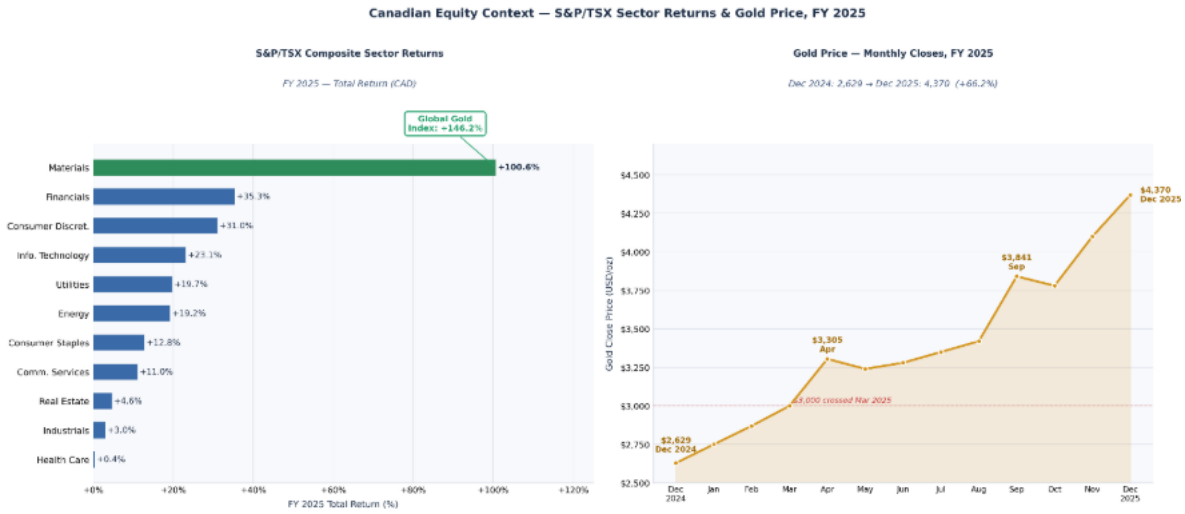
Despite the small relative shortfall, the Growth Fund generated $13.7 million in combined realized and unrealized gains. On a per-dollar basis, it delivered the highest return contribution in the portfolio (+21.27% vs. +4.83% for fixed income and +4.19% for money market), reinforcing its role as the portfolio's long-term growth engine.

Canadian Equity

Canadian equities were among the strongest performing global equity markets in 2025, with the S&P/TSX Composite rising approximately 31%. Performance was supported by firm commodity prices, strength in the financial sector, and domestic rate cuts that boosted real estate and consumer activity.

Returns were highly concentrated, led by the materials sector, which surged +100.6%. This gain was driven largely by gold-related equities, as gold prices rose +66.2% from US$2,629 to US$4,370 per ounce, advancing steadily through most of the year despite a brief market correction in April.

The Canadian equity sleeve maintained a large-capitalization bias, with approximately 70% of exposure to the largest S&P/TSX companies. This positioning resulted in a 58 basis-point underperformance relative to the benchmark, entirely due to the underweight in mid-cap gold producers that led the materials sector rally.



Left: S&P/TSX Composite sector returns - Materials sector returned +100.6%, driven by the S&P/TSX Global Gold Index +146.2%. Right: Gold monthly close prices — +66.2% FY 2025 ($2,629 → $4,370).

US Equity

The U.S. equity sleeve returned +12.32% in Canadian dollar terms, closely tracking the S&P 500 (CAD) return of +12.26%. In U.S. dollar terms, the S&P 500 returned approximately +16.4%. However, a 4.6% depreciation of the U.S. dollar against the Canadian dollar (from 1.4388 to 1.3728) reduced the translated return by roughly 4.1 percentage points.

Operating Fund (Money Market)

The Operating Fund returned 4.19% for FY 2025, outperforming the Canada 3-month T-Bill benchmark of 2.82% by 137 basis points and generating $4.9 million in realized income. This return was driven by the term deposit portfolio, which continued to earn interest rates locked in during the 2022–2024 rate peak.

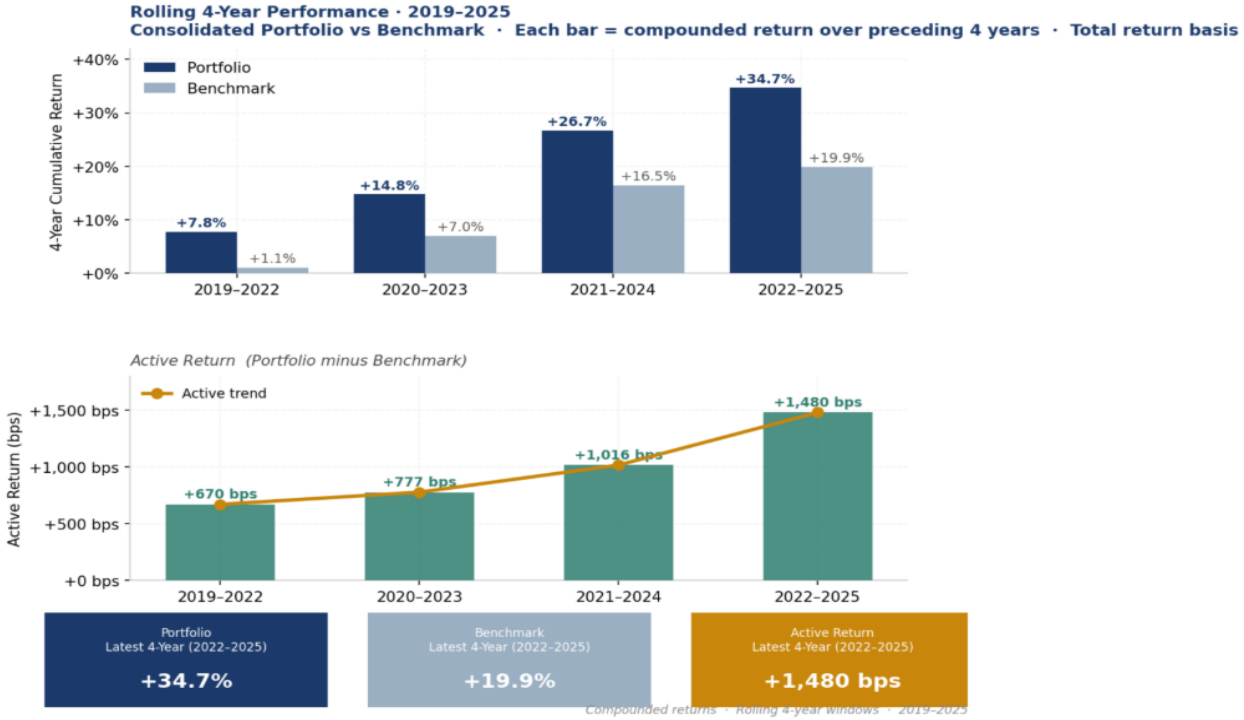
Section 5 — Long-Term Performance

The FY 2025 results are consistent with the portfolio's longer-term performance trend. The positive active return continues a track record in which the gap between portfolio and benchmark returns has widened in every successive four-year rolling window since 2019, reaching +1,480 basis points over the current compliance period.

Four-Year Rolling Performance

The Investment Plan measures performance over a moving four-year window (Section 2.2). The current window covers 2022–2025 and includes the most demanding test the portfolio has faced: the 2022 rate-cycle shock, when the benchmark fell −5.59% while the portfolio held to a positive return of +1.15%. Over the full four-year period, including the strong recovery from 2023 to 2025, the portfolio compounded at +34.7% against the benchmark's +19.9% — a cumulative active return of +1,480 basis points.

Looking across all four windows, the active return has grown in each successive period — from +670 basis points over 2019–2022 to +1,480 basis points over 2022–2025. This pattern reflects both the Capital Fund's downside discipline in the 2022 rate-cycle shock and the Growth Fund's contribution since it was added in 2021. The portfolio has outperformed its benchmark in every rolling four-year period since measurement began.

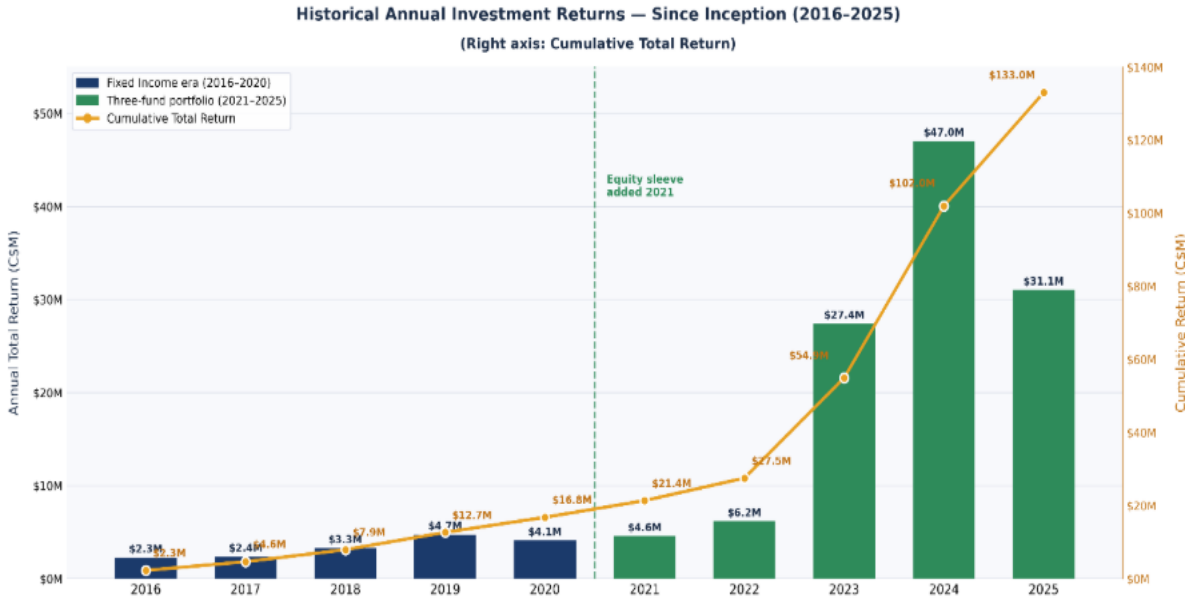


Compounded returns on total return basis. Each window covers the preceding 4 calendar years. Active return expressed in basis points (100 bps = 1%). Policy requirement: gross return ≥ composite benchmark over moving four-year period

(Investment Plan s.2.2).

Investment Portfolio (C$) Since Inception

Returns prior to 2021 reflect a predominantly fixed-income portfolio generating steady contractual income. The notable improvement from 2021 to 2025 stems from the addition and strong performance of the Growth Fund's equity sleeve. Cumulative total return since inception in 2016 through December 31, 2025 stands at $133.02 million.



Section 6 — Conclusion and Outlook

The City's 2025 investment results demonstrate that the portfolio continued to perform in line with its mandate: delivering competitive returns while prudently preserving capital and maintaining strong liquidity. Despite a volatile year characterized by central bank rate cuts, geopolitical uncertainty, and narrow market leadership, the portfolio delivered solid results. This performance reflects the discipline embedded in the Investment Policy Statement and Investment Plan, as evidenced by the portfolio's high fixed-income credit quality, well-diversified equity exposure, and prudent liquidity management.

Looking ahead, the investment strategy remains vigilant and dynamic rather than predictive as heightened uncertainty prevails. While the City does not attempt to forecast precise market outcomes, we actively monitor key risk factors and stand ready to adjust positioning within policy limits as conditions evolve:

- **Interest Rates and Inflation:** With the Bank of Canada's policy rate at **2.25%**, market consensus points to a stable or mildly easing rate environment into early 2026, assuming inflation remains near target. Should inflation reaccelerate and rate hikes reemerge, duration exposure would be reduced accordingly.
- **Credit Markets:** The portfolio will maintain it's overweight to spread products as long as compensation for credit risk remains adequate. A meaningful widening of spreads would present opportunities to add exposure at higher yields, while further tightening may warrant a shift toward government bonds to

protect capital and crystalize capital gains.

- **Equity Strategy:** The portfolio will continue to employ a passive, diversified equity approach with regular rebalancing. Recent Canadian equity outperformance driven largely by commodities reinforces the importance of avoiding concentration risk. The portfolio will remain attentive to potential reversals in commodity trends or other sources of sector imbalance. U.S. equity exposure will be reviewed if currency or interestrate differentials between Canada and the United States change materially.

Consultation and Engagement:

There was no public consultation required in relation to this Report.

Environmental and Climate Change Impact Matters:

There are no environmental and/or climate change impact matters related to the recommendation.

Appendix:

Not Applicable

Report Author:

J. Bayley, Portfolio Manager
T. Rayaisse, Chief Investment Officer

File #:

Not Applicable

Pending #:

Not Applicable

Appendix A — Risk & Compliance

The Investment Plan establishes four priority objectives: **capital preservation, adequate liquidity, diversification, and competitive total return**. The portfolio met each objective during FY 2025.

A.1 Capital Preservation

The portfolio successfully preserved capital through the year's primary stress event, the April credit spread widening. While fixed income holdings experienced temporary mark to market volatility, no losses were realized due to the hold to maturity and cash flow matching structure of the Capital Fund.

A.2 Adequate Liquidity

The Capital Fund's cash flow matching approach ensured capital project drawdowns were funded from maturing bonds and coupons without requiring any forced market sales.

A.3 Diversification

The portfolio remained diversified across asset classes, issuers, sectors, maturities, and geographies, with no policy limits breached and no remediation required.

A.4 Credit Quality Compliance

All fixed income holdings met or exceeded the minimum **BBB (or equivalent)** credit quality requirement throughout the year. The portfolio's average credit quality remained stable at **AA3/A1** across all four quarters.

Credit Tier	Approximate Portfolio Weight	Policy Constraint	Status
AAA / AA+	~30%	Average minimum A; no AAA floor	Compliant
AA / AA−	~52%	Average minimum A	Compliant
A+ / A / A−	~12%	Average minimum A	Compliant
BBB	~6%	Maximum 20% of portfolio	Compliant
Average	**AA3/A1**	**Minimum A**	**Compliant**